

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SS-15 EB-07 L-03 INR-07 SSO-00 INRE-00

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O 120540Z AUG 76 ZFF6

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 6150

INFO AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY LONDON

C O N F I D E N T I A L JAKARTA 10560

STADIS//////////

E.O. 11652: GDS

TAGS: ENRG, EFIN, ID

SUBJECT: INDONESIA-JAPAN LNG TRANSPORTATION

REF : STATE 199460

1. SUMMARY: SITUATION REGARDING BURMAH-GENERAL DYNAMICS  
LNG TANKER CONTRACT IS AT CRUCIAL STAGE. ACCORDING TO  
OIL AND GAS DIRECTOR WIJARSO, DEAL NOW HINGES ON ABILITY  
OF BT AND GD TO LOWER FREIGHT RATES. WIJARSO DOES NOT BE-  
LIEVE JAPANESE WILL BE ABLE ACCEPT LEGAL RESPONSIBILITY  
WITH PERTAMINA FOR ALTERNATE GOTAAS-LARSEN/LEIF HOEGH PRO-  
POSALS. WIJARSO LEAVING JAKARTA AUGUST 15 FOR MEETING  
WITH JAPANESE FOLLOWING DAY. IN ANTICIPATION OF THAT  
MEETING, WIJARSO NEEDS, ON URGENT BASIS, INFORMATION ON:  
A) POSSIBLE REDUCTION OF FREIGHT RATES AND B) CONTINUED  
ASSURANCES ON STATUS OF SPHERE WELDING AND SHIP  
CONSTRUCTION. EDN SUMMARY.

2. PETROLEUM OFFICER AND I CALLED ON OIL AND GAS  
DIRECTOR WIJARSO FOR DISCUSSION ON CURRENT SITUATION  
REGARDING INDONESIAN-JAPANESE LNG TANKERS. REFTTEL  
FORTUNATELY RECEIVED JUST PRIOR TO OUR MEETING. WIJARSO  
OPENED CONVERSATION BY STATING HE HAD RECEIVED TELE-  
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PHONE CALL FROM PERTAMINA WASHINGTON REP GEORGE BENSON

WHO REPORTED BRIEFLY ON HABIB-TOYO MEETING. I SHARED WITH WIJARSO KEY ELEMENTS OF UNDER SECRETARY'S PRESENTATION.

3. WIJARSO ASKED IF MR. HABIB HAD RAISED TOPIC OF "SUBSTITUTE VESSELS" WHICH IS CENTRAL TO GOI POSITION. WIJARSO SAID HE UNDERSTOOD FROM BENSON THAT SOME REFERENCE HAD BEEN MADE TO THIS. IT WAS INDONESIAN VIEW THAT NOTHING IN BASIC AGREEMENT PRECLUDED USE OF "SUBSTITUTES FOR SUBSTITUTE" VESSELS (EASCO SHIPS). WIJARSO HOPED MR. HABIB HAD SPOKEN FAVORABLY ON THIS POINT. ACTION REQUESTED: WOULD APPRECIATE ANY ADDITIONAL INFORMATION DEPARTMENT CAN PROVIDE ON THIS SUBJECT.

4. WIJARSO PLANS LEAVE JAKARTA SUNDAY, AUGUST 15. HE SAID HE COULD BE REACHED AT THE IMPERIAL HOTEL IN TOKYO. PERTAMINA'S WASHINGTON REPRESENTATIVE GEORGE BENSON WILL ALSO BE PRESENT FOR MEETINGS. WIJARSO SAID ANY MESSAGES FROM AMEMBASSIES TOKYO AND JAKARTA COULD BE PASSED VIA BENSON. (FYI: BENSON IS FORMER DEFENSE ATTACHE IN JAKARTA. HE IS WELL AND FAVORABLY KNOWN AND HAS BEEN OF GREAT ASSISTANCE ON THIS AND OTHER MATTERS INVOLVING PERTAMINA. END FYI.)

5. WIJARSO THEN EXPLAINED THE STATUS OF THE ALTERNATE PROPOSALS LODGED BY GOTAAS-LARSEN/LEIF HOEGH. HE CONFIRMED THAT THERE WAS A GOOD DEAL OF PRESSURE FROM THE JAPANESE TO USE 4, MAYBE 5, OF THE KAWASKI VESSELS IN THIS ALTERNATE OFFER. HE SAID THAT IU ALSO HAD A GERMAN VESSEL WHICH HAD THREE SPHERES COMPLETED USING A MOSS ROSENBERG TECHNIQUE WHICH GD APPARENTLY REFUSED. ASKED WHETHER THESE VESSELS COULD BE CONSIDERED COMPETITIVE, WIJARSO SAID THAT THEY IN ONE SENSE COULD BE CONSIDERED "PERFECT" FOR PERTAMINA'S NEEDS. HOWEVER, WIJARSO AND GOI HAD REAL DOUBTS ABOUT GOTAAS LARSEN'S "NO-CONDITIONS" FINANCIAL PACKAGE. WIJARSO INDICATED THAT HIS STRONGEST BARGAINING POINT AT THIS MOMENT WAS THE KNOWLEDGE THAT THE JAPANESE COULD NOT ACCEPT CONFIDENTIAL

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FULL LEGAL RESPONSIBILITY WITH PERTAMINA FOR ANY ALTERNATE DEAL. HE EXPLAINED THIS MEANT THAT, ON ANY ALTERNATE ARRANGEMENT, JAPANESE WOULD HAVE TO AGREE TO SHARE ALL LEGAL CONSEQUENCES OF ANY ENSUING BREACH OF CONTRACT LAW SUITS AS WELL AS THE POSSIBILITY OF ANY ADDITIONAL FREIGHT RATE IN THE ALTERNATE PROPOSAL. KNOWING, THEREFORE, THAT THE JAPANESE COULD NOT TAKE ON THIS LEGAL RESPONSIBILITY, IT APPEARED TO

WIJARSO THAT EVERYTHING BOILED DOWN TO ONE ITEM:  
LOWER FREIGHT RATES FROM PERTAMINA AND GENERAL DYNAMICS.  
HE SAID THIS IS THE ONLY THING LEFT. PER JAPANESE  
PRESSURE, PREVIOUS CONDITIONS RE IRS AND TITLE XI  
FINANCING HAD BEEN WAIVED. WIJARSO SAID THAT HE HAD  
ASKED WILSON OF BURMAH TO SHAVE AS MUCH AS POSSIBLE  
OFF THE CURRENT FREIGHT RATE OF \$.367 TO BEAT GOTAAS'  
QUOTE OF \$.351. HE SAID "I ASKED THEM TO CUT OFF ALL  
THE FLESH AND LEAVE THE BONES. IF THEY CAN DO THIS,  
THE FLESH WILL GROW BACK." WITHOUT A REDUCTION IN  
FREIGHT RATES, WIJARSO DID NOT FEEL HE COULD HOLD OUT  
AGAINST JAPANESE PRESSURES.

6. WIJARSO ALSO CAUTIONED AGAINST ANY SPECULATION  
ABOUT COMPLETION DATES OF FIRST GAS TRAIN AT HUFFCO'S  
BADAK FIELD. HE SAID BOTH WILSON AND LEWIS HAD  
PRESSED HIM ON THIS. HIS REPLY WAS THAT THIS WAS  
NONE OF THEIR BUSINESS. TALKING ABOUT DELAYS AT THE  
PLANT SITE ONLY PLAYED INTO THE JAPANESE HANDS BY  
GIVING THEM ANOTHER EXCUSE TO PRESS FOR CANCELLATION  
OF THE EXISTING GD-BT CONTRACT, HE EXPLAINED. (FYI:  
WIJARSO SAID IT WAS POSSIBLE FIRST LIFTINGS COULD  
TAKE PLACE AS EARLY AS MARCH 1977 BASED ON INFORMATION  
FROM PERTAMINA AND BECHTEL.)

7. WIJARSO EXPRESSED APPRECIATION FOR OUR COMING AND  
SAID HE WISHED USG HAD WEIGHED IN EARLIER; HE INDICATED  
THAT ONE FACTOR FOR JAPANESE STRONG STANCE IN PREVIOUS  
JAKARTA MEETINGS IN LATE JUNE WAS ABSENCE OF ANY PUSH  
FROM WASHINGTON SUPPORTING DEAL. HE NOTED WRYLY THAT  
HE SHOULD GET MEDAL FOR PROMOTING INTERESTS OF  
GENERAL DYNAMICS. WIJARSO MADE IT CLEAR, HOWEVER,  
THAT HE WAS MOTIVATED PRIMARILY BY INDONESIAN AND NOT  
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USG CONCERNS. HAPPILY, THOUGH, THE TWO WERE PARALLEL  
AND THERE WAS NO DIFFICULTY.  
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